



**FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH, MISSOURI
MUNICIPAL DIVISION**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2003-14
February 14, 2003
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

February 2003

The following audit report presents our findings and recommendations for the Fifth Judicial Circuit, City of St. Joseph, Missouri - Municipal Division. During our audit, we identified accounting records, controls, and certain management practices which we believe could be improved.

The court does not regularly print out a listing of accrued costs and does not always take appropriate action when a case is past due or when a defendant fails to appear in court. At our request, the court generated a receivables listing of adjudicated cases, which totaled approximately \$300,000. The court was unable to provide a listing of cases where the defendant failed to appear in court.

Access to the computer system is not adequately restricted and a formal contingency plan has not been developed.

The municipal division has not implemented adequate procedures to follow up on cash bonds held for more than one year. As of June 30, 2002, the balance of the municipal division's bond account included bond receipts totaling approximately \$18,500, which had been held in excess of one year. The court indicated that many of the defendants whose bond has been held for over one year have failed to appear in court, yet no cash bonds were forfeited during the audit period. Additionally, the municipal division does not follow up on surety bonds posted by defendants who fail to make the required court appearances.

During our cash counts, approximately 90 checks and money orders, totaling approximately \$6,000, were on hand. Some of the checks had been received over six weeks prior to the date of our counts. These checks and money orders had not been transmitted or restrictively endorsed. In addition, a log is maintained of all monies received through the mail; however, this log is not reconciled to receipt slips issued or to the transmittals made to the city.

Conviction reports produced by the system were sometimes incomplete or inaccurate. These conviction reports are used to notify the Department of Revenue of points violations.

Neither the police department nor the municipal division adequately accounts for the numerical sequence of traffic tickets and their ultimate disposition.

All reports are available on our website: www.auditor.state.mo.us

YELLOW SHEET

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH, MISSOURI
MUNICIPAL DIVISION

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-11
FOLLOW-UP ON PRIOR AUDIT FINDINGS.....	12-14
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	15-17

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

Presiding Judge
Fifth Judicial Circuit
and
Municipal Judge
St. Joseph, MO 64501

We have audited certain operations of the city of St. Joseph Municipal Division of the Fifth Judicial Circuit. The scope of this audit included, but was not necessarily limited to, the two fiscal years ended June 30, 2002. The objectives of this audit were to:

1. Determine the internal controls established over the financial transactions of the municipal division.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.
4. Follow up on action taken by the municipal division on the applicable finding in our prior audit report on the municipal divisions of the Fifth Judicial Circuit.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the municipal division.

As part of our audit, we assessed the controls of the municipal division to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the municipal division's management and was not subjected to the procedures applied in the audit of the division.

The accompanying Management Advisory Report presents our finding arising from our audit of the city of St. Joseph Municipal Division of the Fifth Judicial Circuit.



Claire McCaskill
State Auditor

November 14, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Tiffany Blew, CPA
Audit Staff:	Naima Ramlatchman

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH, MISSOURI
MUNICIPAL DIVISION
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

City of St. Joseph Municipal Division

- A. Procedures to monitor and collect accrued costs could be improved. The court does not regularly print out a listing of accrued costs and does not always take appropriate action when a case is past due or when a defendant fails to appear in court. At our request, the court generated a receivables listing of adjudicated cases, which totaled approximately \$300,000. The court was unable to provide a listing of cases where the defendant failed to appear in court. For cases which are adjudicated, the defendant is required to enter into a pay order agreement with the court. For 11 of 24 pay order agreements tested, we noted payments were past due and no warrant was issued for the defendant. In addition, of sixty traffic tickets tested, six defendants failed to appear and no warrant was issued.

Without the active and timely pursuit of accrued costs, revenues to the state and city could be lost. Payment agreements signed by the defendant formalizes the liability to the municipal division and could aid in the collection of the amounts owed. Proper and timely issuance of warrants for amounts due to the court helps to maximize court revenue along with providing equitable treatment for those citizens who are paying fines and court costs when due.

- B. Access to the computer system is not adequately restricted and a formal contingency plan has not been developed. Passwords are not kept confidential and user IDs and passwords are not deleted when an employee is suspended or terminated. We noted three former employees' passwords were still active as of November 2002. In addition, the court has not formally negotiated arrangements for use of backup facilities in the event of a disaster. Development of a contingency plan should include the plans for a variety of situations, such as both short-term and long-term plans for backup hardware, software, personnel, and power.

A unique password should be assigned to each user of the system and should be kept confidential in order to limit unauthorized access to computer files. Unique passwords help to restrict individuals' access to only those data files and programs they need to accomplish their job. User IDs and passwords should be deleted as soon as an employee is no longer employed by the court. This protects data from unauthorized access and helps to prevent intentional and unintentional modification, disclosure, or deletion of applicable information.

The major benefit of thorough contingency planning comes from the ability of the court to recover rapidly from disaster or extraordinary situations that might cause considerable loss or disruption to the court. Because of the court's degree of reliance on the data processing function, the need for contingency planning is evident.

- C. The municipal division has not implemented adequate procedures to follow up on cash bonds held for more than one year. As of June 30, 2002, the balance of the municipal division's bond account included bond receipts, totaling approximately \$18,500, which have been held in excess of one year. The court indicated that many of the defendants whose bond has been held for over one year have failed to appear in court, yet no cash bonds were forfeited during the audit period. In addition, although no bonds have been deposited by the city finance department since March 1994, the city's bond escrow account had a balance of \$828 as of June 30, 2002.

An attempt should be made to determine the proper disposition of these bonds. A review should be made of any bonds posted by persons who failed to make the required court appearance to determine if the bonds should be forfeited and if monies should be paid over to the city treasury as provided by Section 479.210, RSMo 2000. For those bonds which cannot be forfeited and remain unclaimed, Section 447.595, RSMo 2000, requires cash bonds remaining unclaimed for one year after disposition of the case be turned over to the state's Unclaimed Property Section.

- D. The municipal division does not follow up on surety bonds posted by defendants who fail to make the required court appearances. Based upon discussions with court personnel, no surety bonds were forfeited during the audit period.

Section 374.770, RSMo 2000, provides for the court to declare a bond forfeiture after the bail bond agent has been given an opportunity to return the defendant to the court. If the court does not order bond forfeitures as provided by statute, the bond companies have no incentive for making sure defendants show up for court appearances.

- E. We noted the following problems related to accounting controls and procedures:

- 1. Court receipts are not transmitted intact on a timely basis, and checks and money orders are not restrictively endorsed immediately upon receipt. During our cash counts approximately 90 checks and money orders, totaling approximately \$6,000, were on hand. Some of the check had been received over six weeks prior to the date of our counts and there had been numerous other transmittals made during that time period. None of the 90 checks and money orders counted were restrictively endorsed. The clerk indicated these payments were being held because the court was waiting for the traffic ticket to be submitted by the prosecutor or because the staff

needed to pull the case file to apply the payment now that the ticket had been entered into the system. Checks and money orders received for the payment of fines and court costs are not restrictively endorsed until it is processed through the cash register, which cannot occur until the ticket has been entered into the system.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, transmittals should be made intact daily or when accumulated receipts exceeded \$100. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

2. While a log is maintained of all monies received through the mail, this log is not reconciled to receipt slips issued or to the transmittals made to the city. The court identified an instance where \$59.50 was received through the mail and logged, but only \$20 was applied to the case and transmitted. This was identified by the defendant when he saw in the newspaper that only \$20 was paid for his ticket and he notified the court of the mistake. The remaining \$39.50 has not been located.

By reconciling the mail log to the receipt slips issued and amounts transmitted to the city, the court will have better assurance that all monies received were properly posted and processed.

3. The court computer system produces a report of all voided receipts, but explanations of why a receipt slip was voided are not documented and reviewed by a supervisor. Valid reasons for voiding a receipt slip should be documented and reviewed by a supervisor for propriety.
4. Bond forms issued by the police department are not prenumbered. To adequately account for bonds and to ensure all bonds are turned over to the municipal division, prenumbered bond forms should be issued for cash bonds received by the police department and the numerical sequence should be accounted for properly.

- F. Conviction reports produced by the system were sometimes incomplete or inaccurate. These conviction reports are used to notify the Department of Revenue (DOR) of points violations. We noted two instances where a points violation was not included on the conviction report, yet the DOR indicated these individuals were reported to the DOR on a conviction report. In another instance, a defendant was not included on the conviction report, even though the offense was a points violation. The DOR had no record of points being assessed on that defendant for that violation. Once a conviction report is generated and sent to the DOR, no copy is kept by the court, nor are the reports reviewed for accuracy.

To ensure the conviction reports are accurate and complete, these reports should be retained and reviewed by the court clerk.

- G. Neither the police department nor municipal division adequately account for the numerical sequence of traffic tickets assigned to and issued by officers and their ultimate disposition. We selected a block of tickets from the log maintained by the police department and noted several tickets which were unaccounted for. In addition, we noted several gaps in the log where blocks of tickets were not recorded. The police department indicated these gaps were caused by officers resigning from the force and not turning in their ticket books, but this information is not documented on the log.

Without proper accounting for the numerical sequence and disposition of tickets, the police department and the municipal division cannot be assured that all tickets issued were properly submitted to the court for processing.

WE RECOMMEND the city of St. Joseph Municipal Division:

- A. Make a greater effort to pursue collection of accrued costs and ensure warrants are issued in a timely manner to those who fail to comply with the terms of a pay order or who fail to appear for court.
- B. Ensure passwords are not shared, remain confidential, and that user IDs and passwords are promptly deleted upon termination or resignation. In addition, develop a formal contingency plan for the courts computer system.
- C. Implement adequate procedures to follow up on cash bonds and dispose of them in accordance with state law.
- D. Ensure surety bonds are followed up in accordance with state statute. Implement procedures to forfeit surety bonds when appropriate.
- E.1. Transmit monies received intact daily or when accumulated receipts exceed \$100 and restrictively endorse all checks and money orders immediately upon receipt.
2. Reconcile the mail log to the receipt slips issued and the amounts transmitted do the city.
3. Maintain documentation for why receipt slips were voided.
4. Request the police department issue prenumbered bond forms for all bond monies received and account for the numerical sequence.
- F. Ensure conviction reports are complete and accurate and reviewed by the court clerk prior to being submitted to the DOR.

- G. Work with the police department to ensure records are maintained to account for the numerical sequence and ultimate disposition of all tickets and summonses issued.

AUDITEE'S RESPONSE

The Municipal Judge responded:

The Municipal Court of St. Joseph is one of the largest municipal courts in the State of Missouri. We have one full time Judge plus substitute Judges along with six and one-half office personnel. We have gone through a computer software change and could not convert our data, therefore, approximately 70,000 cases had to be re-entered. As of August 2002, this task was completed. This was coupled with employee turn over, training and working several months with four office personnel. There was not time to adequately address certain tasks as we would have liked. As of November 2002, we have six and one-half office personnel and have made a transition to a different type of organization, and now are in a position to address all the necessary tasks and functions.

In regards to our regular state audit, Municipal Court is now in a position and has implemented several of the recommendations made by the State Auditors. Other recommendations will be implemented and in place by July 1, 2003.

The few recommendations that may take outside coordination and cooperation from other city departments will be addressed and discussed with the other City Departments involved. We will document all attempts to do so.

- A. *We agree with the findings and the recommendations have been implemented. Procedures are in place for defendants who fail to appear for arraignments and trials to be issued a warrant within 5 business days of the court date. With the new Court reorganization, the Court Clerk can now monitor defendant compliance more closely.*

As of the October 1998 audit, the municipal division's accounts receivable balance was \$681,827. Since April 2001, when the new Judge was elected, the Court, Court staff and City Prosecutor have followed the 1998 audit recommendation that defendants must justify reason for nonpayment of fine, issue warrants for willful failure to pay, and write off those balances which are deemed to be uncollectable after review and approval of the Municipal Court Judge. As a result of those efforts, the outstanding accounts receivable balance has been reduced by over \$380,000.

The data entry staff have also manually researched open files and issued 2,204 warrants since October 2002.

The Court Administrator will now be responsible for producing a monthly receivable listing and work with INCODE to develop more detailed reporting.

- B. *We agree with the findings regarding computer access and the recommendations have been implementd. With the reorganization of the Court, effective November 12, 2002, the Technology and Communication Services (TCS) Director and Court Administrator are now responsible for security and user passwords on the system. Employees access will now be terminated within five business days of their final day of work.*

User passwords are not shared. Cashiers log into system as Court1 or Court2, but have an additional unique password built in for data entry of cash receipts. Each cash receipt printout shows the cashier initials and the cashier must also initial the docket as they take payments. We are going to eliminate their ability to change fees.

The TCS Director will provide a contingency plan for backup facilities and/or equipment in the event of disaster to the Financial Services Director and Municipal Court Judge by July 1, 2003.

- C. *We agree with the findings and procedures have been implemented. The Court Administrator is now responsible for running a monthly bond report listing all cash bonds outstanding. Bond forfeiture hearings are scheduled for current cases if the defendant does not appear within 5 business days of the arraignment/trial. The Court Administrator and staff are currently working to reconcile the system balance with the Excel spreadsheet balance previously recorded by the Court Clerk. We plan to have the account totally reconciled by March 1, 2003.*

Those defendants with cash bonds posted but which cannot be forfeited and remain unclaimed will be forwarded to the State of Missouri Unclaimed Property Division within the required 1 year period of dismissal of the case. We intend to send all unclaimed cash bonds and funds to the State by July 1, 2003, or as required by law.

Research continues on bonds posted prior to March 1994. We have applied one of the five bonds, set up a forfeiture hearing of another, and are researching the remaining three. We will have this account closed by June 30, 2003.

- D. *We agree with the findings. Currently, there is no formal surety bond hearing procedure. However, very few of the bonds posted with this court are surety bonds. Therefore, we have focused our resources on the cash bond forfeitures and issuance of warrants. The Court Administrator and Court Clerk plan to have a formal procedure in place by July 1, 2003.*

- E.1. *Restrictively endorsing checks has been implemented. New procedures have been implemented to immediately restrictively endorse checks when received by mail. Mail is also being processed on a daily basis instead of every other day. A positive outcome of this has been only two insufficient funds checks written from November to December, 2002 compared to fourteen between July and October. Data entry of citations is also completed within five days of filing by City Prosecutor, which has greatly improved the ability to process mail receipts in a timely manner.*

2. *Reconciling the mail log to receipts slips has been implemented. The Court Administrator will randomly reconcile 20-25 receipts monthly for timeliness of posting and transmittal to the City.*
 3. *We agree with these findings. Currently the only documentation available is the batch it appears in. Procedures are in place to copy each void receipt and document the circumstances under which it occurred. The Court Administrator plans to create a more formal report for this by July 1, 2003, and add the report to monthly reporting.*
 4. *The Court Administrator will meet with the Police Department before June 30, 2003, to discuss the importance of prenumbering of bond forms.*
- F. *We believe we are in substantial compliance. This is a software reporting issue and we will investigate. The Court Clerk and Court Administrator will work together to insure the accuracy of this report by July 1, 2003.*
- G. *The Court Administrator will meet with the Police Department before June 30, 2003, to discuss the importance of accounting for all tickets issued. However, by state law, the Court is responsible for accounting for only those tickets actually filed by the City Prosecutor.*

FOLLOW-UP ON PRIOR AUDIT FINDINGS

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH, MISSOURI
MUNICIPAL DIVISION
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the city of St. Joseph Municipal Division on the applicable finding in the Management Advisory Report (MAR) of our prior audit report issued for the two years ended 1997 and 1996 on the municipal divisions of the Fifth Judicial Circuit.

The prior recommendations which have not been implemented are repeated in the current MAR.

City of St. Joseph Municipal Division

- A. The method of payment of fines, costs, was not consistently noted on receipt slips and was not always accurately entered into the cash register. In addition, there was no independent comparison of the composition of receipt slips issued to the composition of bank deposits and transmittals to the city.
- B.1. The duties of receiving, recording, depositing, and reconciling bond receipts were not adequately segregated.
 - 2. Adequate procedures were not implemented to follow up on cash bonds that were held for more than one year. In addition, no cash bonds were forfeited during the audit period.
 - 3. The municipal division did not follow up on surety bonds posted by defendants who failed to make the required court appearances.
 - 4. Receipt slips were not issued for bonds received.
- C. A monthly listing of cases with balances due was not prepared.
- D. Some Law Enforcement Training (LET) fees were not assessed or collected in accordance with state law.

Recommendation

The city of St. Joseph Municipal Division:

- A. Properly indicate the method of payment on receipt slips and reconcile total cash, checks, and money orders received to bank deposits and transmittals to the city.
- B.1. Adequately segregate the duties of receiving, recording, and depositing bond monies. At a minimum, there should be a documented supervisory review of the reconciliation between receipts, deposits, and bank reconciliations.

2. Implement adequate procedures to follow up on cash bonds and dispose of them in accordance with state law.
 3. Implement adequate procedures to forfeit surety bonds when appropriate.
 4. Issue receipt slips for all bonds received.
- C. Prepare an accounts receivable listing on a monthly basis and use this listing to ensure appropriate action is taken on all cases with balances due to the municipal division. This listing should be reconciled periodically to pay orders.
- D. Assess LET fees as allowed by state law.

Status:

A.,
B.1,4
&D. Implemented.

B.2,3
&C. Not implemented. See MAR finding.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

FIFTH JUDICIAL CIRCUIT
CITY OF ST. JOSEPH, MISSOURI
MUNICIPAL DIVISION
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Joseph Municipal Division is one of two municipal divisions within the Fifth Judicial Circuit, which consists of Buchanan and Andrew counties. The Honorable Patrick Robb serves as Presiding Judge.

The municipal division is governed by Chapter 479, RSMo 2000, and by Supreme Court Rule No. 37. Supreme Court Rule No. 37.49 provides that each municipal division may establish a violation bureau (VB) in which fines and costs are collected at times other than during court and transmitted to the city treasury.

Operating Costs

The operating costs and court salaries of the municipal division are paid by the municipality.

Organization

The Court Clerk, assisted by two deputy court clerks and four other employees , is responsible for recording court transactions, as well as handling collections and disbursements. Fines and court costs are transmitted directly to the city finance department on a daily basis. The police department and the Court Clerk collect bond monies. The police department transmits bond monies on a daily basis to the Court Clerk. Bond monies are held in the court's bank account pending disposition. Some earlier collections of bond monies are also held in a city bank account. The municipal division also have a separate account for restitution that they collect for victims. The court also maintains a separate account for the Judicial Education Fund, which is used for training of court personnel.

Court is held Monday through Friday. There are two sessions on Mondays, Tuesdays, and Fridays, four sessions on Wednesdays, and three sessions on Thursdays, with an additional session every second Tuesday and every fourth Thursday.

A Violations Bureau (VB) has been established by court order to receive payment of fines and court costs at times other than during court.

Personnel

Municipal Judge	John Boeh
Court Clerk	Lisa Morrow
Deputy Court Clerk - Date Processing	Patricia Kirkpatrick
Deputy Court Clerk-Violations Bureau	Sharon Hibbs (1)

(1) Retired 8/2/02; Billie Bartley promoted to Deputy Court Clerk for Violations Bureau

The municipal division also employs one part-time and three full-time employees to assist with transactions.

Financial and Caseload Information

	<u>Year Ended June 30,</u>	
	<u>2002</u>	<u>2001</u>
Receipts	\$907,800	\$697,744
Number of cases filed	20,222	16,779

* * * * *